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TELEGRAM

May 26, 2004

To: No Action Addressee
Action: Unknown
From: AMEMBASSY ABU DHABI (ABU DHABI 1740 - ROUTINE)
TAGS: EFIN, ETTC, PTER, ECON
Captions: None
Subject: HAWALA: THE INDIAN EMBASSY'S VIEWS
Ref: None

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INFO: FCS
CXABU:
ACTION: ECON
INFO: P/M AMB DCM POL

DISSEMINATION: ECON
CHARGE: PROG

APPROVED: DCM:RALBRIGHT
DRAFTED: ECON:OJOHN
CLEARED: CGD: MCARVER

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FM AMEMBASSY ABU DHABI
TO RUEHC/SECSTATE WASHDC 4533
INFO RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUEHNE/AMEMBASSY NEW DELHI 1218

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STATE FOR NEA/ARP, S/CT, INL/ENT, EB/ESC
STATE PASS FEDERAL RESERVE
TREASURY FOR ZARATE, GLASER, AND MURDEN

E.O. 12958: 5/24/09
TAGS: [EFIN](#) [ETTC](#) [PTER](#) [ECON](#) [TC](#)
SUBJECT: Hawala: The Indian Embassy's Views

CLASSIFIED BY DCM RICHARD A. ALBRIGHT FOR REASONS 1.5 (B AND D).

¶1. (SBU) S.K Reddy, the First Secretary of the Indian Embassy called on EconChief to discuss hawala. Reddy said that he had not yet met with the Central Bank on the subject, because he was waiting for instructions from India's Central Bank before approaching the UAEG. He said that hawala was illegal in India, but still existed. He explained that the hawala network in India developed to serve the gold smuggling market when

India controlled gold imports. He also acknowledged that Indians used hawala to avoid currency controls. Since India opened up its economy, however, he said that he thought hawala usage had declined.

¶ 12. (C) Reddy said that he thought there were still strong ties between the gold market and hawala. People still smuggle gold into India in order to avoid customs duty and the smugglers use hawala to get better rates and to avoid paying taxes. He suspected that many of the UAE gold dealers still had ties to hawala dealers (hawaladars). Although Reddy denied knowing the identity of any hawaladar, he stated that his constituents certainly knew who they were.

¶ 13. (SBU) According to Reddy, Indian workers used to comparison shop between the formal exchange houses and the hawaladars. Now the workers are more likely to use the formal networks. Indian laws have been changed to make it easier for them to move money and therefore the rate difference has declined. In addition, the formal money exchange and transmission houses now target the market. He explained that when the exchange houses notice that a number of workers are coming from a single region in India, they meet with the workers and offer to set up branches to service the region.

¶ 14. (SBU) Reddy said that some of the workers from poorer regions prefer to use hawaladars or that their families in India prefer hawaladars, because they are nervous about the banking system and don't want to visit banks. He noted that some Muslim women prefer the hawaladars, because they don't have to leave their houses. The hawaladar comes to them.

¶ 15. (C) The Indians are concerned about the use of hawala in laundering money for organized crime and in funding the insurgents in Kashmir. He also said that hawala was used to move the proceeds of illegal betting for cricket matches. According to Reddy, the Indians will bet millions of dollars when their teams are playing. The proceeds of this worldwide illegal betting are all moved by hawala. Millions of dollars are bet when Indians play. He noted that a few years ago the Indian team was prohibited from participating in Sharja's cricket tournament, because of the size of the betting involved. The Indians were concerned that the amount of money bet made it highly likely the matches would be fixed.

Wahba